

1 HB377
2 183407-1
3 By Representatives Treadaway and Clouse
4 RFD: Ways and Means General Fund
5 First Read: 09-MAR-17

2
3
4
5
6
7
8 SYNOPSIS: Under existing law, the contribution
9 percentage rate made to the Pension Accumulation
10 Fund by the employer on behalf of state policemen
11 is calculated separately from all other state
12 employees participating in the State Employees'
13 Retirement System.

14 This bill would remove the separate
15 calculation of employer contribution percentage
16 rate for state policemen.

17
18 A BILL
19 TO BE ENTITLED
20 AN ACT

21
22 To amend Section 36-27-24, Code of Alabama 1975, to
23 remove the separate calculation of employer contribution
24 percentage rate made to the Pension Accumulation Fund by the
25 employer for state policemen.

26 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

1 Section 1. Section 36-27-24, Code of Alabama 1975,
2 is hereby amended to read as follows:

3 "§36-27-24.

4 "(a) Effective October 1, 1997, all the assets of
5 the retirement system shall be credited according to the
6 purpose for which they are held among three funds, namely, the
7 Annuity Savings Fund, the Pension Accumulation Fund, and the
8 Expense Fund. The operation of the former Pension Reserve Fund
9 and the Annuity Reserve Fund shall be discontinued as of such
10 date and the balance of the former Pension Reserve Fund shall
11 be transferred to the Pension Accumulation Fund, and the
12 balance of the former Annuity Reserve Fund shall be
13 transferred to the Pension Accumulation Fund.

14 "(b) Annuity Savings Fund. The Annuity Savings Fund
15 shall be a fund in which shall be accumulated contributions
16 from the compensation of members to provide for their
17 annuities.

18 "Contributions to and payments from the Annuity
19 Savings Fund shall be made as follows: Effective October 1,
20 1971, each employer shall cause to be deducted from the salary
21 of each member on each and every payroll of such employer for
22 each and every payroll period five percent of his or her
23 earnable compensation; except, that in the case of a state
24 policeman, the rate of 10 percent of earnable compensation
25 shall apply, and in computing all retirement benefits it shall
26 be assumed that a seven percent rate of contribution had
27 applied with respect to service as a state policeman prior to

1 July 1, 1957. For all pay dates beginning on or after October
2 1, 2011, each employer, except those employers participating
3 pursuant to Section 36-27-6, shall cause to be deducted from
4 the salary of each member on each and every payroll of such
5 employer for each and every payroll period seven and
6 one-quarter percent (7.25%) of his or her earnable
7 compensation; except, that in the case of a state policeman,
8 the rate of ten percent (10%) of earnable compensation shall
9 apply. For all pay dates beginning on or after October 1,
10 2012, each employer, except those employers participating
11 pursuant to Section 36-27-6, shall cause to be deducted from
12 the salary of each Tier I plan member on each and every
13 payroll of such employer for each and every payroll period
14 seven and one-half percent (7.5%) of his or her earnable
15 compensation; except, that in the case of a state policeman,
16 the rate of ten percent (10%) of earnable compensation shall
17 apply. For all pay dates beginning on or after January 1,
18 2013, each employer shall cause to be deducted from the salary
19 of each Tier II plan member on each and every payroll period
20 six percent (6%) of his or her earnable compensation; except
21 that in the case of a state policeman, the rate of ten percent
22 (10%) shall apply and in the case of a correctional officer,
23 firefighter, or law enforcement officer as defined in Section
24 36-27-59, the rate of seven percent (7%) shall apply. Any
25 employer participating under Section 36-27-6, by adoption of a
26 resolution, may elect for the increases in employee
27 contributions provided by Act 2011-676 to be withheld from the

1 earnable compensation of employees of the employer. In
2 determining the amount earnable by a member in a payroll
3 period, the Board of Control may consider the rate of annual
4 compensation payable to such member on the first day of the
5 payroll period as continuing through such payroll period, and
6 it may omit deductions from compensation for any period less
7 than a full payroll period if an employee was not a member on
8 the first day of the payroll period, and, to facilitate the
9 making of deductions, it may modify the deductions required of
10 any member by such an amount as shall not exceed one tenth of
11 one percent of the annual compensation upon the basis of which
12 such deductions are made.

13 "The deductions provided for in this subsection
14 shall be made notwithstanding that the minimum compensation
15 provided for by law for any member shall be reduced thereby.
16 Every member shall be deemed to consent and agree to the
17 deduction made and provided for in this subsection and shall
18 receipt for his or her full salary or compensation and payment
19 of salary or compensation less such deductions shall be a full
20 and complete discharge and acquittance of all claims and
21 demands whatsoever for the services rendered by such person
22 during the period covered by such payment, except as to the
23 benefits provided under this article. The employer shall
24 certify to the Board of Control in each and every payroll or
25 in such other manner as the board may prescribe the amounts to
26 be deducted, and each of the amounts shall be deducted and,
27 when deducted, shall be paid into the Annuity Savings Fund and

1 shall be credited, together with regular interest thereon, to
2 the individual account of the member from whose compensation
3 the deduction was made.

4 "In addition to the contributions deducted from
5 compensation as provided in this subsection, subject to the
6 approval of the Board of Control, any member may deposit in
7 the Annuity Savings Fund by a single payment or by an
8 increased rate of contribution an amount computed to be
9 sufficient to purchase an additional annuity which, together
10 with his or her prospective retirement allowance, will provide
11 for him or her a total retirement allowance not to exceed one
12 half of his or her average final compensation at age 60. Such
13 additional amounts so deposited shall become a part of his or
14 her accumulated contributions, except in the case of
15 retirement, when they shall be treated as excess contributions
16 returnable to the member in cash or as an annuity of
17 equivalent actuarial value and shall not be considered in
18 computing his or her pension.

19 "The contributions and interest credits of a member
20 withdrawn by him or her or paid to his or her estate or to his
21 or her designated beneficiary in event of his or her death
22 shall be paid from the Annuity Savings Fund. Should a member
23 cease to be a member other than by retirement under the
24 provisions of this article, an amount equivalent to the
25 difference, if any, between his or her accumulated
26 contributions and the amount then paid shall be transferred to
27 the Expense Fund. Upon the retirement of a member or the death

1 of an eligible member where an allowance to a surviving spouse
2 or other designated beneficiary is payable, his or her
3 accumulated contributions shall be transferred from the
4 Annuity Savings Fund to the Pension Accumulation Fund.

5 "Notwithstanding the preceding provisions, no
6 deductions shall be made from any member's salary on account
7 of which the employer's contributions are in default.

8 "The State Personnel Board, with the approval of the
9 Governor, may provide that the state shall pick up member
10 contributions to the Employees' Retirement System of Alabama
11 as required by this subsection on behalf of all state
12 employees who participate in the Employees' Retirement System
13 by a corresponding reduction in the salary of the member, such
14 pick-up to be mandatory for all such employees, and the
15 contributions so picked up shall be treated as employer
16 contributions in determining tax treatment under the Internal
17 Revenue Code. These contributions shall be paid from the same
18 source of funds which is used in paying earnings to the
19 employee. If employee contributions are so picked up they
20 shall be treated for all other purposes of state law in the
21 same manner and to the same extent as employee contributions
22 made prior to the date picked up.

23 "(c) Pension Accumulation Fund. The Pension
24 Accumulation Fund shall be the fund in which shall be
25 accumulated all reserves other than the amounts held in the
26 Annuity Savings Fund for the payment of all pensions, all
27 allowances granted to surviving spouses or other designated

1 beneficiaries and other benefits payable from contributions
2 made by the employer and from which shall be paid all
3 pensions, all allowances granted to surviving spouses or other
4 designated beneficiaries and other benefits on account of
5 members with prior service credit.

6 "Contributions to and payments from the Pension
7 Accumulation Fund shall be made as follows: On account of each
8 member there shall be paid monthly by the employer an amount
9 equal to a certain percentage of the earnable compensation of
10 each member to be known as the "normal contribution" and an
11 additional amount equal to a percentage of his or her earnable
12 compensation to be known as the "accrued liability
13 contribution," and these two amounts shall be paid monthly
14 into the Pension Accumulation Fund. ~~; provided, that in the~~
15 ~~case of a state policeman, such percentage rates of~~
16 ~~contributions shall be calculated separately.~~ The percentage
17 rate of such contributions shall be fixed for each fiscal year
18 on the basis of the liabilities of the retirement system as
19 shown by the last annual actuarial valuation, and such
20 percentage rate as established by such valuation shall take
21 effect the following October 1 and continue in effect for the
22 fiscal year.

23 "On the basis of regular interest and of such
24 mortality and other tables as shall be adopted by the Board of
25 Control, the actuary engaged by the board to make such
26 valuation required by this article during the period over
27 which the accrued liability contribution is payable shall,

1 immediately after making such valuation, determine the uniform
2 and constant percentage of the earnable compensation of the
3 average new entrant which, if contributed on the basis of his
4 or her compensation throughout his or her entire period of
5 active service, would be sufficient to provide for the payment
6 of any pension payable on his or her account. The percentage
7 rate so determined shall be known as the "normal contribution"
8 rate. The normal rate of contributions shall be determined by
9 the actuary after each valuation.

10 "The accrued liability contribution rate shall be
11 computed by the actuary on the basis of each valuation as the
12 percentage rate of the total annual compensation of all
13 members which is sufficient to liquidate the accrued liability
14 over a period to be determined by the Board of Control which
15 shall be not less than 10 nor more than 30 years.

16 "The unfunded accrued liability shall be computed by
17 the actuary as the total liabilities of the system which are
18 not dischargeable by the assets of the Annuity Savings Fund
19 and the Pension Accumulation Fund and the present value of the
20 aforesaid normal contributions.

21 "For purposes of computing the unfunded accrued
22 liability the assets shall be determined as follows:

23 "On September 30, 1997, the assets shall be
24 determined by using the market value of such assets. For
25 subsequent years the value of the assets shall be determined
26 by the system's actuary using a five year smoothed market
27 value.

1 "The total amount payable in each year to the
2 Pension Accumulation Fund shall be not less than the sum of
3 the percentage rates known as the normal contribution rate and
4 the accrued liability contribution rate of the total
5 compensation earnable by all members during the preceding
6 year.

7 "All interest and dividends earned on the funds of
8 the retirement system shall be credited to the Pension
9 Accumulation Fund. The amounts needed to allow a regular
10 interest on the reserves in the Annuity Savings Fund shall be
11 transferred in accordance with this article from the Pension
12 Accumulation Fund. The Board of Control, in its discretion,
13 may transfer to and from the Pension Accumulation Fund the
14 amounts of any surplus or deficit which may develop in the
15 Annuity Savings Fund, or the Expense Fund.

16 "Upon the death of a member on account of whom no
17 survivor allowance is payable under subdivisions (2) and (3)
18 of subsection (c) of Section 36-27-16, the death benefit as
19 provided in subdivision (4) of subsection (c) of Section
20 36-27-16 equal to the accumulated contributions, not to exceed
21 \$5,000.00, shall be payable from the Pension Accumulation
22 Fund.

23 "(d) Expense Fund. The Expense Fund shall be the
24 fund from which the expenses of the administration of the
25 retirement system shall be paid, exclusive of amounts payable
26 as retirement allowances and as other benefits provided in
27 this chapter. In addition thereto and on account of each

1 member of the retirement system, there shall be paid monthly
2 by the employer an amount equal to a certain percentage of the
3 earnable compensation of each member for the administrative
4 expenses of the retirement system. The percentage rate of such
5 contribution shall be fixed by the Board of Control on the
6 basis of the cost exclusive of that provided by interest not
7 returnable. Any amounts credited to the accounts of the
8 members withdrawing before retirement and not returnable under
9 the provisions of subsection (c) of Section 36-27-16 shall be
10 credited to the Expense Fund.

11 "(e) Employer's contributions. For each biennium
12 beginning October 1, 1965, each employer shall pay to the
13 retirement system the rates provided in this section and
14 thereafter, at least 30 days preceding October 1 of each
15 fiscal year, the Board of Control shall certify to the chief
16 fiscal officer of each employer the percentage rates of
17 earnable compensation of the members required to be paid to
18 the retirement system in accordance with subsections (c) and
19 (d) of this section.

20 "The employer's contribution on account of the
21 membership of employees whose salaries are paid in whole or in
22 part from funds derived from federal grants shall be paid from
23 funds derived from the federal grants in accordance with
24 statutes governing the administration of the grants and in
25 proportion to salaries paid therefrom. At such time and in
26 such manner as may be required, the Board of Control shall
27 certify to each department of state receiving a federal grant

1 the amount due and payable from the grant as the employer's
2 contribution to the retirement system on account of the
3 membership of the department whose salaries are paid in whole
4 or in part from funds derived from such federal grants. The
5 fiscal agent of the department shall authorize the state
6 Comptroller to draw a warrant or warrants in payment of the
7 amount certified as due and payable from federal grants.

8 "(f) Appropriations. There is hereby appropriated
9 annually from the fund from which salaries of the employees of
10 each employer are paid the amounts sufficient to carry out the
11 provisions of this section. In the case of those departments
12 supported wholly by transfers from other state funds, there is
13 hereby appropriated from the supporting funds such additional
14 amounts as may be necessary to pay the employer contribution
15 of each department so supported in the same proportion as the
16 other state funds contribute to the support and maintenance of
17 such department.

18 "(g) Employer cost provided for in this article
19 together with member contributions required under this article
20 shall be paid to the Employees' Retirement System on the first
21 day of the month following the month in which the related
22 member salary is earned. Delinquent accounts shall accrue
23 interest at the actuarial assumed investment rate beginning 30
24 days after the original due date. The member contributions for
25 each member shall be reported to the Employees' Retirement
26 System in a format prescribed by the Employees' Retirement
27 System.

1 Section 2. This act shall become effective on the
2 first day of the third month following its passage and
3 approval by the Governor, or on its otherwise becoming a law.